

DDS&T-814-85

15 AUG 1985

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MEMORANDUM FOR:
Chief, Legislation Division
Office of Legislative Liaison

FROM: R. E. Hineman
Deputy Director for Science And Technology

SUBJECT: Office of Management and Budget (OMB) Request
for Agency Comments on S. 1527, Civil Service
Pension Reform Act of 1985

REFERENCE: Memo for DDS&T fm C/LD/OLL, dtd 7 August 1985,
Same Subject (OLL85-2318)

1. My staff has completed an assessment of the subject act's impact and concluded that it will most likely affect us in two areas: recruitment and retention.

2. Recruiting will be hurt because the subject act not only lowers pensions below levels provided under the current Civil Service Retirement Act but also reduces them below levels available through private pension plans. Private plans typically offer benefits on the basis of 1.15% to 1.50% of the high 5-year average multiplied by the number of years of service. In addition, these plans provide a comparable thrift or 401K plan.

3. Retention will be adversely affected by one of the most attractive provisions of the bill, the thrift plan. The Vesting provided for in this section will make part of the pension portable, fostering greater dedication to a personal profession than to the Agency. This effect is already evident in the high tech industries.

4. I would be happy to discuss this with you further.
STAT Iso, if you have any questions, please contact
STAT Chief of my Management Staff, or

R. E. Hineman

12 August 1985

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MEMORANDUM FOR: Chief, Legislation Division
Office of Legislative Liaison

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FROM:
Director of Security

SUBJECT: Office of Management and Budget (OMB) Request
for Agency Comments on S. 1527, Civil Service
Pension Reform Act of 1985

REFERENCE: Memo OLL85-2318 dtd 7 August 85, Same Subject

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A review of the proposed Bill disclosed no areas of
security concern. Some features of the Bill,

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might cause cover concerns, but it is
assumed that the Office of Personnel, the Office of General
Counsel, and the Central Cover Staff will address that issue.

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cc: EO/DDA

85-2415

AUG 14 1985

MEMORANDUM FOR: Director of Legislative Liaison

FROM: Robert W. Magee
Director of Personnel

85-2269/2

SUBJECT: Comments on S. 1527 Civil Service Pension
Reform Act of 1985

REFERENCE: Memo for Multiple Addressees from C/LD/OLL,
Dated 7 August 1985, Same Subject

1. We have analyzed Senator Stevens bill S. 1527, Civil Service Pension Reform Act of 1985, which proposes a permanent supplemental pension plan to replace the present interim Civil Service Retirement System (CSRS) retirement provisions for Social Security covered employees which, under current law, will expire on 31 December 1985. Our reactions and comments follow.

2. To put perspective on Senator Stevens' proposal, you may recall that shortly before introducing this particular bill, Senator Stevens attempted but was unable to generate bi-partisan Congressional and Federal employee union support for the substance of his proposed system. When S. 1527 is opened to hearings in September 1985, alternate proposals for consideration are expected to be forthcoming from the House and the Federal unions. In addition, the present expiration date of the current interim system can still be extended beyond 31 December 1985 by Congressional action to permit fuller consideration and development of a permanent supplemental retirement system for new Federal employees. Thus the supplemental retirement legislation issue is beginning, not ending, with Senator Stevens' proposal.

3. S. 1527, as now drafted, would include under the basic provisions of the plan all CIA employees covered by Social Security who are not participants in CIA Retirement and Disability System (CIARDS). "Special" provisions of the plan (early retirement without penalty) are provided only for law enforcement, fire fighters, air traffic controller personnel, and National Guard Technicians. Inclusion of CIA employees under the Stevens' plan poses serious problems for the Agency in that the design and provisions of the proposed plan are damaging to and incompatible with the Agency's needs for a retirement system. We have found over the years that the Agency's retirement system must serve as a management tool in recruiting and maintaining the special type and quality of force required to carry out the Agency's special activities and mission. The Stevens' proposal does not fulfill this requirement.

SUBJECT: Comments on S. 1527 Civil Service Pension Reform Act of 1985

4. The proposed pension/annuity base. The Civil Service Pension System (CSPS) three-tiered pension/annuity base (e.g. Social Security old-age pension supplemented with a defined benefit annuity and augmented with a voluntary IRA type investment savings plan) is structurally sound. However, the extremely low-yield (1% accrual rate) defined benefit plan and heavy emphasis on a voluntary investment savings plan will produce a non-reduced full retirement income only when the employee retires at age 67 (full Social Security entitlements) and only if the employee is a substantial contributor in the voluntary investment plan throughout his/her entire service. The proposed CSPS establishes, as one of the purposes of the legislation, "to enhance portability of retirement assets between Federal jobs and jobs outside the Federal government". This enhanced portability option is based upon the proposed voluntary investment plan which includes partial matching government funds. This peculiar purpose will encourage young and mid-career employees after enhancement of their professional credentials at government expense (training and on-the-job experience) to leave government service for the more lucrative private sector. While this may not be detrimental to some U.S. government agencies, this is not an ideal for a foreign intelligence organization such as CIA. The portability features of the proposed Stevens system presents serious security risks to the intelligence interests of the United States through encouraging the early and mid-career exodus of CIA employees who have been privy to highly sensitive activities and move out of the security disciplines of Agency employment.

5. Extension of retirement age for non-reduced annuities. The inclusion in the CSPS of severe penalties for the permissible early retirement, except for special law enforcement, fire fighters, etc., all but eliminates retirement before age 62 for career employees. The extension of retirement ages for non-reduced annuities will result in an unacceptable aging of the career CIA work force engaged in intelligence functions. The current CSRS retirement age of 55 with 30 years of service and age 50 with 20 years in CIARDS has proven to be fully compatible with the Agency's need to retain these type employees through their most productive years and provide them with an annuity which encourages retirement before continued employment becomes detrimental to accomplishment of the Agency mission.

6. Disability Provisions. The proposed CSPS integrates Social Security disability criteria and benefits with an external third-party insurer (commercial insurance company) administering the disability contract. The introduction of an

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of 1985

external insurance company insurer to cover disability benefits is a departure from the current Federal retirement system provisions which provides for adjudication and payment of benefits from the retirement system funds.

The proposal requires that employees applying for disability benefits shall be examined by a physician under the direction of the insuring company at such times as the insurer may require. This proposal presents serious and unacceptable security risks for CIA where sensitive and/or under cover employees are concerned.

7. Survivor Benefits. The CSPS plan would provide group life insurance at no cost to employees with coverage essentially the same as current FEGLI. If eligible, Social Security death benefits would be payable as an "add-on" to other benefits. The plan's basic survivor benefits for pre-retirement death of employees eligible to retire amount to 50% of the accrued pension, but are reduced by applying the "early retirement" reductions of 5% per year under age 62 with less than 30 years of service and 2% reduction per year under age 62 with 30 or more years of service. Survivors of employees who die prior to reaching eligibility to retire are not provided a survivor annuity until a future time when the employee first would have become eligible to retire and then including the same reduction penalties for "early retirement."

Survivor benefits are particularly important to Agency management and our employees because of the number of Agency assignments in hazardous areas or under risk of terrorist activity. These risks increase the potential for death or disability and require meaningful survivor benefits coverage where Agency requirements demand employee willingness to serve when needed in high risk assignments. The proposed survivor benefits are significantly less than now provided under the current CSRS and thus are insufficient to meet CIA requirements in this very important area.

8. The DCI has, in discussions with the President and Dave Stockman, clearly articulated the critical part that retirement programs play in serving CIA's special security and work force management requirements. The S. 1527 proposal by design and provisions, is a "pension plan" focusing on employee benefits rather than a structured management/employee retirement system which is required by the CIA. As you know, we have prepared a memorandum for the Director's signature transmitting to OMB

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of 1985

separate legislation for an Agency retirement system covering all Agency employees. This legislation incorporates features to effectively serve the special security and managerial needs of the Agency. Our proposed legislation meets our needs, whereas Senator Stevens' does not.

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Robert W. Magee

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14 AUG 1985

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MEMORANDUM FOR:

[redacted]
Chief, Legislation Division
Office of Legislative Liaison

FROM:

Daniel A. Childs, Jr.
Comptroller

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SUBJECT:

OMB Requests for Agency Comments on S. 1527, Civil Service
Pension Reform Act of 1985 [redacted]

Stevens

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1. This memorandum responds to your request for comments on the Stevens-Roth bill, S. 1527. [redacted]

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2. As you are aware, a great deal of activity is already underway on a CIA-unique pension system. The DCI has been briefed on the Office of Personnel's proposed package; a similar briefing will follow for key people in OMB. In view of these developments, I believe that our comments on S. 1527 should be brief; namely, that CIA's requirements for a pension system are different, that we do not expect to be covered under the draft legislation, and that negotiations are underway with OMB toward that end. [redacted]

[redacted]
Daniel A. Childs, Jr.

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12 August 1985

25X1 MEMORANDUM FOR: [redacted]
Legislative Division
Office of Legislative Liaison
25X1 FROM: [redacted]
Executive Officer
DO/Career Management Staff
SUBJECT: OMB Request for Comments on S.1527, Civil
Service Pension Reform Act of 1985

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1. We have only one comment on the draft bill. It has a fundamental flaw: the Agency is not on the list of those for whom an annuity without reduction is provided.

2. The Directorate of Operations defers to the DDA on how best to address this bill within the overall strategy for the legislation the Agency will be proposing.

25X1 [redacted]
25X1 RIG:DO/CMS/EXO [redacted] dro (12Aug85)
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